"*Reflections sur la formation et la distribution des richesses.*"* This is not merely a reprint of the faulty English translation of 1793, but an entirely new rendering based on the Robineau text in the "*Petite Bibliothèque Économique*" and compared with the original as it appeared in DuPont's "*Ephémérides du Citoyen*" in 1769 and 1770. The translator "has attempted to produce something like the effect of Turgot's style, which is, indeed, inelegant and sometimes rugged, and also very limited in vocabulary, but yet direct and clear," and by following the typography of the original has sought to preserve "something of the eighteenth century flavor." At the same time, the exact words of the original are given in foot-notes whenever there is any question in regard to the accurate rendering of the text. As a result of this painstaking attention to details we have in this translation probably a more accurate reproduction of Turgot's thought than in any French text. Its perusal justifies the editor's observation that, "in spite of Turgot's dislike for the narrow sectarian spirit of the circle that surrounded Quesnay, and the freedom with which he expressed his dissent from them on minor points of doctrine, nevertheless his whole economic thought was dominated by the fundamental physiocratic ideas; and these find in the *Reflections* their briefest and most lucid expression."

Nine excerpts from Turgot's correspondence with Hume and DuPont, which are printed as an appendix, emphasize still further the substantial identity of Turgot's views with those of the Physiocrats *par excellence*. Here he argues that all taxation must fall on rent, assumes an inflexible and low standard of life for the laboring masses, that "wants are always the same" and looks upon social forces as quite analogous to physical forces and social laws as laws of nature. These letters are doubly interesting because in them Turgot is forced to point out how Physiocratic theory is to be reconciled with the facts of industrial life and shows a less unpractical turn of mind than was attributed to him by Adam Smith.

REVIEWS.

Four Books in Finance.

Bimetallism: A Summary and Examination of the Arguments for and against a Bimetallic System of Currency. By Major LEONARD DARWIN. Pp. 341. London: John Murray, 1897.

* *Reflections on the Formation and the Distribution of Riches.* By A. R. J. TURGOT. 1770. Edited by W. J. ASHLEY. Pp. xxii, 122. Price, 75c. New York: The Macmillan Company, 1898.

Studies in Currency, 1898, or Inquiries into certain Modern Problems Connected with the Standard of Value and the Media of Exchange. By the RIGHT HON. LORD FARRER. Pp. 405. Price, $4.00. London and New York: The Macmillan Co., 1898.

A Graded Banking System. Formed by the Incorporation of Clearing Houses under a Federal Law, with Power to issue a Clearing House Guaranty secured by Pledge of Bank Assets. By THEODORE GILMAN. Pp. 230. Boston and New York: Houghton, Mifflin & Co., 1898.

Thirty Years of American Finance: A Short Financial History of the Government and People of the United States since the Civil War, 1865–1896. By ALEXANDER DANA NOYES. Pp. 277. Price, $1.25. New York: G. P. Putnam's Sons, 1898.

In these days when almost every man has positive convictions about money, and nearly every book written advocates some infallible remedy for the evils threatening the material welfare of mankind, it is refreshing to find an author writing on the subject of bimetallism as coldly and calmly as if he were discussing the precession of the equinoxes. Major Darwin, if he is to be judged from this book, is a man without convictions upon the subject which he discusses. All of the questions at issue he considers with evident candor and much acuteness; his book, in fact, consists mainly of a balancing of arguments, and only here and there do his own opinions appear. Naturally, it is rather hard reading. The unsophisticated reader will frequently be greatly perplexed as Major Darwin marshals the opposing arguments before him, and will doubtless feel, if he reads the book through, that the money question is one that the gods never meant that ordinary mortals should understand. However, a man who has had some training in economics will find the book of considerable assistance. There is certainly no one book which will give an intelligent reader a better grasp of the controversy now waging between bimetallists and monometallists. The book is in sad need of an index, for the chapter headings, which form the table of contents, furnish a very unreliable clue to the wealth of material in the volume. Some of the discussion in the book is merely a reproduction of well-known arguments, but the authorities from which they are taken, as a rule, are not given. Major Darwin, has himself done some very clear thinking, and has thrown fresh light on several dark places. The average reader, however, will be unable to distinguish between the original and the borrowed content of the book.

In the opening chapters Major Darwin treats of the bimetallic

theory. After a rather feeble discussion of the so-called quantitative theory of prices, he gives it a timid conditional endorsement, holding that the cost of production cannot determine the value of the precious metals, for the reason that the number of mines cannot be indefinitely multiplied, nor can they all be worked under similar conditions. He concludes, therefore, that the bimetallic ratio will govern the bullion market until one metal is driven out of circulation; and remarks: "Monometallists ought, if they still predict the continued depreciation of silver under bimetallism, to tell us what is going to happen to the £800,000,000 of gold coins now in existence. Until they do so they have not made out their case against the practicability of bimetallism." Bimetallists, in his opinion, aim at two things, namely, to make prices more steady and to raise prices. He concludes that bimetallism at 15½ to 1 would accomplish both these purposes, but the second purpose he regards as an unworthy one.

Major Darwin next discusses the choice of a ratio. He considers the arguments in favor of a low ratio, a natural ratio, and the market ratio. By natural ratio he means the ratio which the metals would bear to each other if neither were used as money. As that evidently cannot be determined, he dismisses it from consideration with a few words. As a low ratio would probably cause a rise of prices in gold countries and an injurious fall of prices in silver countries, he regards it as objectionable. France and the United States, he says, have no particular rights in the premises on account of their large stock of silver money coined at a low ratio, for that money is now largely government credit money and might be continued in circulation even after a market ratio had been adopted. By market ratio he does not in any sense mean a shifting ratio, for when once the ratio of 30 or 35 to 1 has been adopted by the leading nations of the world, the values of the precious metals will thenceforth conform to it, and no change will be necessary. The "climbing" ratio, in favor with some bimetallists, he condemns as illogical, there being no definite reason why the ratio should not climb above any fixed limit. He considers the silver question in the United States and admits the possibility of the establishment of a ratio of 16 to 1 by this country alone, but regards the success of such an undertaking as doubtful even if France were to unite with us in the effort. The balance of his argument is in favor of bimetallism at a market ratio. He contends that all the advantages of bimetallism will be gained by the adoption of the market ratio, and that no sudden change of prices would thereby be produced.

Having decided upon a ratio, he considers whether it is worth while to put bimetallism into operation. He weighs very carefully the advantages claimed for bimetallism and monometallism, and the evils attributed to each by its opponents, and reaches the conclusion that bimetallism would probably furnish a more stable standard than monometallism; and therefore that if stability of prices is desirable, the world would be benefited by an international agreement. He supplements the usual argument of the bimetallist by showing that the greater the proportion of the standard metal employed in the arts the steadier will be prices; and that under bimetallism that proportion will be much larger than under monometallism.

The historical argument against bimetallism, which is always confidently put forward by half-informed defenders of monometallism, has no weight in Major Darwin's mind. He says that Shaw's "History of Currency" and other books written in support of that view have led him to exactly the opposite conclusion. "All that is proved, in my opinion, is that without international agreement there was in past times a perpetual ebb and flow of the precious metals between countries with different legal ratios. The experiment of legalizing the same ratio in all countries was never tried. In the history of two and one-half, if not of six centuries, there is no example nor record of any change in ratio so great or so sudden as that which has occurred during the last twenty years, that is, since the repeal of the last bimetallic laws" (p. 137).

Another reference to history is equally pertinent. It is as follows: "It is said that bimetallism would be a leap in the dark, but the diagram showing the ratio in the market may well lead any one to doubt which of the two ought to be described in that way—a bimetallic currency policy resembling in many respects that which existed for centuries up to the year 1873, or a monometallic policy the full effect of which has not been observable since the abandonment of the last bimetallic laws at that date. We are now leaping into the dark, if by that is meant that unforeseen dangers may at any moment spring up in our path."

His conclusion, after examining the advantages of bimetallism, is alternative, that is, either gold monometallism should be made universal or effective bimetallism should be established. But gold monometallism would undoubtedly yield us falling prices through many decades, and we must therefore decide whether an appreciating standard is really objectionable. He next considers, therefore, the question of rising and falling prices. This is the portion of the book in which the most original thinking has been done by the author. He adheres to his usual method, weighing conscientiously

all that has been said on both sides, but comes to the rather definite conclusion that falling prices (or an appreciating standard) do most seriously retard production and interfere with the ordinary economic laws governing distribution. It is impossible to summarize his arguments in a paragraph. The arrangement of this part of his work is faulty. The chapter, for example, upon the relation of credit to prices might well have been put at the beginning of the work; and the inquiry into the question whether prices would have fallen less rapidly had bimetallism been maintained since 1873, should follow rather than precede the discussion of the effects of falling prices. He makes a very clear distinction between value and price, the latter being defined as the relation of the value of a commodity to the value of the standard. Prices, therefore, will vary with every change in the value of the commodity, and inversely with every change in the value of the standard. One who is familiar with monometallic literature will not be surprised that the cautious author in this connection indulges himself in the positive observation that "when we hear the candid monometallist remark that he is prepared to admit that the fall in average prices may have something, though it cannot have much to do with the value of gold, we can see that either he is talking absolute nonsense or else that he is giving some unknown meaning to his words" (p. 168).

Mr. Darwin's analysis of credit is not clear. He does not entirely free himself from the obscure notion that an expansion of credit is possible without an increase of standard money. All credit is essentially a promise to pay money and constitutes a demand for money even while acting as a substitute for it. He evidently has this truth in mind when he says: "If we trace credit to its roots we will find that there is always, or nearly always, some negotiation in which the possibility of having to find the coin or bullion to meet the liability must be present in the minds of the financiers engaged." He expresses dissatisfaction with Mill's view of credit that it is purchasing power like money, but does not bring out clearly the fact that it acts upon prices solely by lessening the demand for money. Nor does he make as clear as he might the important fact that while credit is the most flexible or elastic medium of exchange, yet its quantity in any country depends upon the credit machinery of the country, such as banks or clearing houses, and upon the habits and customs of the people, all of which change but slowly.

On page 223 Mr. Darwin hints at a conclusion which will quite possibly have general acceptance a few years from now. The effect

of falling prices, he says, is somewhat similar to that which would be produced by universal combination, that is to say, a restriction of the output. His reasoning fairly leads to the deduction that falling prices encourage the formation of artificial combinations. This theoretical deduction will not be despised if an era of rising prices in the near future should witness the dissolution of the numerous trusts which have been organized during the last era of falling prices. Major Darwin thinks that the ideal standard of prices lies between the commodity standard, which would give a constant price to the average commodity, and the labor standard, which would give a constant price to the output of human labor. Under the labor standard, if labor were becoming more efficient on account of inventions, prices would fall. The author is inclined to the opinion that the course of prices since 1873 has nearly coincided with the labor standard, although he admits the impossibility of arriving at a correct estimate of that standard. It is impossible to determine what will be the value of gold in the future; yet inasmuch as it is better to have rising than falling prices he decides that a market ratio of bimetallism might wisely be adopted by the world, since it would retard the downward tendency of prices and would not expose business to any new currency perils.

The chapter on foreign trade is difficult reading and is the least satisfactory in the book. The author seems to miss the bimetallist's contention entirely. Few bimetallists contend that the fall of silver has forced down the price of wheat or any other commodity, yet that is the point to which Major Darwin devotes most of his argument. The fall of silver with respect to gold has merely given the producer in silver-using countries a temporary advantage over his competitor in gold countries; for he has been the first on the market with his goods, while his competitor has lagged behind waiting for higher prices, yet compelled to take the lowest. This view of the subject is very ably presented in Helm's "Joint Standard," which Major Darwin would appear not to have read.

Lord Farrer's "Studies in Currency" may be prescribed as an antidote for any aguish doubts which the reader may contract over Darwin's bimetallism. There are no probabilities here, nothing doubtful; everything is "absolutely certain" and "perfectly clear." Yet Lord Farrer can hardly be called dogmatic, for he appears to be genuinely anxious to state his opponent's case fully and fairly, but since most of the papers in the volume were written for the London Gold Defense Association, there could necessarily be no hesitation

in the conclusions. The contents of the book are familiar to those who have followed the bimetallic controversy in England. They include the oft-quoted article on "England's Adoption of the Gold Standard," in which he combats the bimetallist's contention that England drifted into gold monometallism through ignorance; a recent paper on the "Quantitative Theory of Money and Prices," and the brochure on "What We Pay With," first published ten years ago. Bimetallism is attacked from all sides in various other papers, and considerable space is given to the India problem and to the effects of a depreciating standard upon foreign trade. Lord Farrer does not, like Major Darwin, aim at the wrong mark when handling the subject of foreign trade. He endeavors to show that a depreciating standard does not tend to stimulate exports, or give producers any advantage over foreign competitors. He half admits that theoretical considerations support the bimetallic view, and then "appeals" to facts, drawing very positive conclusions from Indian statistics. Lord Farrer, like the average man of business, is in awe of facts, but theory is "only theory." He might well ponder on what Emerson meant when he wrote that "we have facts enough, what we need is the heat that dissolves every man's facts."

The gist of Lord Farrer's monometallic argument lies in his contention that money includes all forms of credit and that therefore an alteration in the quantity of metallic money, that is, the standard of value, cannot greatly affect prices. This thought is the burden of the articles on the "Quantitative Theory" and "What We Pay With." The claim that the quantity of credit instruments in circulation must bear a rather definite relationship to the quantity of the standard money which is available for redemption purposes, he meets merely with denial. In his opinion credit is increasing in quantity day by day, and with this mushroom "money" the needs of trade are easily met, however they may multiply. This reasoning is highly theoretical, but Lord Farrer confirms it by contrasting the billions of bank deposits with the few hundred thousands of gold which are in use in England. His identification of money and credit is more than a matter of definition; it obscures a fundamental distinction between a medium of exchange universally acceptable and one of only limited acceptability; it also tends to obscure the important fact that credit of all kinds is a promise to pay the commonly accepted medium, *i. e.*, money. Lord Farrer's deductions furnish excellent illustrations of the obscurity into which a candid mind may be led by a confusion of the functions of money and credit as media of exchange. For instance, his reasoning compels

him to conclude that the free coinage of silver, since it would augment only the quantity of metallic money—a small item in comparison with credit—would not raise prices perceptibly; on the contrary, since it would probably destroy credit, there would be a great fall of prices! So there might be in case of panic, but what would be the level of prices after the panic? Would it not be considerably above the old level? Lord Farrer does not attempt to answer these questions. They are "mtters of speculation on which I do not wish to dogmatise" (p. 189).

Lord Farrer belongs to the school of monometallists who believe that a general fall of gold prices is possible without any appreciation of gold. Yet on page 60 he admits that "fall of prices" and "appreciation of gold" are only "different forms of expressing the same thing." He is led into this contradiction by his desire to prove that the recent fall of prices has not been due to a "scarcity of gold." The simple truth that the fall in prices since 1873 necessarily means an alteration in the demand and supply relations of gold apparently does not occur to him. He insists that the fall has been due not to causes affecting gold, but to causes affecting commodities, and he finally lands in the absurdity that the values of all goods have fallen (p. 218).

The author of "A Graded Banking System" is a New York banker, who is alive to the defects of the present national banking system. His book is an effort to show how a banknote may be provided which shall be as safe and as acceptable as the present national banknote, and which shall at the same time be issued promptly and in sufficient volume whenever the needs of trade require.

The first six chapters of Mr. Gilman's book contain general observations upon the theory and practice of banking, and a comparison of the United States system with the English, French and German systems. The author then considers several remedies which have been proposed for the improvement of the United States system. The proposal to retire the greenbacks he considers unwise and useless. He accepts the Republican doctrine that the greenback can do no harm so long as a protective tariff is relied upon to furnish adequate revenue. He thinks that funding the greenbacks would produce widespread distress, apparently not perceiving that the process could be made simultaneously with an influx of gold so that no contraction of the currency whatever need take place.

On questions of monetary theory Mr. Gilman's observations are not remarkably acute or intelligent. However, he has a pretty clear

idea of the service which a banknote performs, and his book, so far as it relates to this subject, is valuable. He advocates the incorporation of state clearing houses, each clearing house to have the power to issue demand notes, and to loan them to any bank within the state, the borrowing bank to deposit currrent assets as security. The circulating notes issued to a bank shall not exceed 75 per cent of the estimated value of the assets deposited. These notes shall be of any denomination desired, of one dollar or one thousand dollars, and shall be receivable at par at all the national banks in the country.

Mr. Gilman is an energetic worker for his plan. He has put it into the form of a bill and appeared before the house committee on banking and currency in advocacy of it.* In this bill a clearing house association is authorized in any city of not less than six thousand inhabitants, but the privilege of issuing circulating notes is restricted to clearing houses which effect clearings of over two hundred millions of dollars annually, or to the chief commercial city in each state; and if there are in any state two or more clearing houses having the right of issue, then the comptroller of the currency shall divide the state into clearing house districts, and banks in each state or district shall do business only with the clearing house of issue in their state or district. The circulating notes shall be redeemed on demand by the clearing house of issue, and also by the bank through which they were first paid out. The notes are to be furnished by the national government, and the comptroller of the currency is to exercise supervision over the affairs of all clearing houses as well as of banks.

Mr. Gilman's plan deserves attention. In some respects it is far superior to the plan advocated by the monetary commission, or to the plan reported by the house committee. Both these measures provide for the independent issue of circulating notes by some four thousand isolated banks under conditions which will furnish strong inducements to each bank to keep afloat the largest possible quantity of its notes. They make those notes receivable at par by all banks and by the government, aiming thus to secure for them the widest possible circulation. Mr. Gilman would secure wide currency for his notes by compelling their acceptance by banks, but he restricts the right of issue to forty or fifty institutions, and this is a very important matter. It is easy enough to devise a scheme which shall result in the abundant issue of banknotes, but it is quite another matter to provide that the issue shall be restricted whenever the occasion demands. Undue expansion of the currency volume is an evil which framers of banknote systems must always have

*Bill H. R. 9297; 55th Congress, 2d session.

in mind, for banknotes may drive gold from the country, and so embarrass the United States Treasury, quite as effectively as greenbacks, silver dollars, or Sherman notes. Under Mr. Gilman's plan the issue of notes would be in the hands of comparatively few men, and it is fair to assume that they would be financiers capable of understanding the far-reaching influences of all their operations. At a time when gold was being withdrawn from the United States Treasury for export, it would be reasonable to expect that these men would perceive the necessity for a restriction of banknote issues and would refuse applications of banks for further loans. In this respect, therefore, Mr. Gilman's plan is decidedly better than any plan which leaves the issue of banknotes entirely at the discretion of several thousand men scattered all over the country. It would seem, however, that Mr. Gilman is too anxious to make the banknote everywhere acceptable. He is of the opinion that the people of this country, having been accustomed to the national banknote, which bears the government's guaranty, will never accept any note which does not possess all of its qualifications. Hence he provides in his bill that every banknote issued shall bear the ultimate guaranty of all the banks of the country. If a bank fails, and its assets do not suffice to redeem the notes, all the banks of its state or district shall be assessed to an amount sufficient for the purpose; and if such assessments shall prove inadequate, then the banks of all other districts may be called upon to make up the deficiency. These provisions to secure the stability of the note run counter to the ordinary ideas of a credit instrument and seem unnecessary. They are likely to work harm rather than good, for they would render it possible for banks to put their notes into circulation in localities far remote from their places of business and would thus retard the process of redemption. There is no reason why an Illinois banknote should circulate far from the State of Illinois, for the government supplies an abundance of currency for distant payments. It would surely be sufficient if merely the banks of each state guarantee the notes of their own clearing house; the interest of the public would be protected, and the notes would have as wide a circulation as the needs of business would require. A banknote is essentially a credit instrument issued to supply a local need for currency; the moment several thousand banks are allowed to issue notes given forced circulation by means of extraneous guarantees and semi-legal-tender attributes, the notes become almost indistinguishable from legal tender money, their volume not promptly contracting with the ebb of business.

Nevertheless, Mr. Gilman's plan must be regarded as encouraging

evidence that practical men of affairs are beginning to understand not only the necessity for a revision of the banking laws, but the nature of the problem which is to be solved. If his plan were adopted the country would undoubtedly have a much better bank-note than it has at present, and it is quite probable that minor defects would be perceived and corrected before any mischief had been done. Mr. Gilman is certainly right in his belief that the circulating notes provided by such a system would tend to render impossible such panics as the business of the country passed through in 1873 and 1893. As a protection against panics due to a dearth of media of exchange his system would undoubtedly prove effective. The defects of his plan would appear only after the panic and in ordinary times. The student will be pleased to find in Mr. Gilman's book a summary of several plans which have been suggested in recent years for the issue of clearing house currency. He could have added much to its value if he had inserted a chapter explaining in detail the issue of clearing house certificates in New York State during panic years. These issues, as Mr. Gilman says, suggested to him his plan for a banking system.

It is a rather large and difficult subject which Mr. Noyes has undertaken to cover in his "Thirty Years of American Finance." In his preface he says, "I have made no attempt at an abstract economic argument; therefore the reader will not find in these pages a discussion of theories, such as bimetallism and protection. That the narrative should repeatedly encounter these and other theories in active operation is, of course, inevitable; the purpose and result of such experiments will be fairly and fully examined; but this book is designed to do no more. It is not an economic treatise; it is a history of our own times." These limits are what we have a right to expect in any history. Nevertheless it is impossible for a historian to avoid in his interpretation of events taking sides for or against theories whose practical results he describes, and his explanation of events will nearly always be colored by his theoretical views. Mr. Noyes is a firm believer in the gold standard; he has no sympathy whatever with bimetallism, and paper money is to him merely a synonym for inflation. Inevitably his history reflects his point of view.

His book opens with a chapter on the inflation period, in which he describes briefly the industrial and financial condition of the United States after the war, the panic of 1873, and the passage of the Resumption Act in 1875. The story in the next two chapters of the resumption of specie payments is interesting. It is full of

information which the average well-informed citizen ought to possess, but does not. The Bland-Allison Act and its effects are the subject of Chapters IV and V. The Legislation of 1890, the Panic of 1893 and the Bond Issues of '94-95 are the concluding chapters of the book.

Mr. Noyes writes clearly and has certainly made an interesting book. He necessarily pays considerable attention to the part which John Sherman has played in the making of our financial history, and that statesman's remarkable policy affords material for interesting reading. Mr. Noyes, while he gives due credit to Sherman for his firmness and intelligence as Secretary of the Treasury, does not spare him when discussing his behavior in Congress. Nor does Mr. Noyes hesitate to lay the responsibilities for our blunders in finance fully upon the Republican party. That party, he says, was clearly responsible for the Bland-Allison Act and the late plea of justification that it was necessary in order to block a free coinage act, is shown to be unfounded. Republican leaders in 1878 supported the Silver Act on the ground that it would give to the country the kind of currency which was needed. In 1890 these same leaders were no wiser. Even President Harrison thought that the purchase of silver by the issue of legal tender notes would have a beneficial effect. Mr. Noyes' description of the events leading up to the Silver Purchase Act of 1890 is one of the best chapters in his book. His story of the bond issues of 1894-95 is also excellent.

Although Mr. Noyes' book is well written and is full of information, nevertheless its effect on the whole is disappointing. One who reads history wishes to know the causes of events, and a historian does not do a first-class piece of work unless he points out the real causes. Mr. Noyes gives only the impression that the financial system of the United States has been saved from ruin during the last thirty years by a series of happy accidents. Just as the country was about to go into bankruptcy as the result of mistaken legislation, Providence interferes, sends large crops to the United States and small crops to Europe, and so causes an importation of gold, which gives the country another lease of life. This is the impression which the reader of Mr. Noyes' book is pretty certain to have at the end. In fact, it is almost the only general impression or idea which the reader will get from the book. That is its main defect. Interesting as it is in some of its narrative, it does not bring out clearly any general ideas, except, perhaps, the general conclusion that inflation of the currency is always dangerous. The treatment of the subject by years rather than by topics will prevent the average reader from retaining much

of the story. In discussing the resumption of specie payments, for example, Mr. Noyes dwells in considerable detail upon the crop failures in Europe, the volume of imports and exports, the condition of various trades, the weather in England, the foreign exchange market, the cotton trade, bank reserves, the stock market, immigration, railroad building and speculation, political conditions, and election results, the silver agitation, etc. Now, undoubtedly all these things had something to do with resumption, but the fact of most importance at the time is lost to view in the multitude of details. The reader is certain to get the impression that the success of resumption somehow depended on all these conditions, which the author so skillfully describes; whereas, as a matter of fact, the success of resumption was assured the moment that the treasury, without causing any inflation of the money supply, had gotten into its possession over one hundred million dollars in gold. Mr. Noyes, on page 71, says: "The problem of resumption had been solved for 1880 and for many subsequent years by a happy accident of nature." This means that the problem would not have been successfully solved if our exports of wheat and other food stuffs in 1879-80 had not caused a large gold movement toward this country. Such an opinion has no foundation. Resumption would have been successful even if the world's crop situation had not been unusual in those years. The movements of gold, like the movements of wheat, are in obedience to laws governing the value of gold and wheat. Gold did not come to this country in 1879 and during the following years because our exports exceeded our imports, but because the level of our prices made gold more valuable here than in other countries. If we had not needed the gold in our business we should not have imported it. It was the expanding business of the country, due to the revival of credit consequent upon the resumption of specie payments, which caused the importation of gold. Our large exports of wheat, of course, played a part in the business, but were not the real cause of gold imports. Mr. Noyes gives the reader the impression that the accident of large exports was the significant feature of the time. Throughout his story we run constantly upon the same assumption, that gold movements depend upon a fortuitous balance of trade and that, therefore, the stability of our financial system is hinged upon the accidents of nature or the relative consumption demands of our people and foreigners.

Mr. Noyes seems to believe that the movement of foreign capital toward the United States is indicated by the imports of gold. After explaining the exportation of gold in 1882, which he attributes to

the large importation of foreign goods, "excessively stimulated by the protracted speculation for the rise in almost every market," he remarks that "this decided change in foreign trade meant, of course, that the country's command over foreign capital was lessened." It meant nothing of the sort. It meant that the level of prices here as a result of silver inflation and speculation had got above the European level, and that adjustment by a movement of gold was inevitable. Abundant harvests here and crop failures in Europe could not have prevented gold exports from this country, unless, indeed, the situation increased the demand for money here and brought prices down to the European level. Our command of foreign capital is not lessened by the export of gold any more than by the export of wheat. It is not affected by either operation.

The author's mercantilistic conceptions involve him in other errors. The slump in prices at the end of 1882 he ascribes to overproduction. He writes: "In short, production in the majority of industries had outrun consumption; a readjustment of prices was inevitable." Here we have the popular, most easily understood explanation of hard times. Because one man can produce more than he wants to consume, it is easy to believe that all men, or society, can do the same thing. Theoretically, Mr. Noyes' explanation may be correct, but there is another that fits the facts better and does not involve the assumption that production may lead to poverty. Production in this country in 1881 and the early part of 1882 was conducted upon an artificial level of prices. Producers who depended upon European markets were certain to suffer, for they were forced to accept prices which did not cover their money costs. Similarly all producers suffered the moment that gold exports brought prices here down to the level prevailing in other gold-using countries. Production had not outrun consumption; it had simply exceeded the consumptive demand at American prices. This explanation of the depression in 1882 Mr. Noyes might well have given with emphasis, for it lays bare one of the worst evils of the policy of silver inflation, which he denounces at every opportunity.

JOS. FRENCH JOHNSON.

University of Pennsylvania.

American History Told by Contemporaries. Volume II. *Building of the Republic, 1689–1783.* Edited by ALBERT BUSHNELL HART. Pp. xxi, 653. Price, $2.00. New York: The Macmillan Company, 1898.

The second volume of this most serviceable collection of sources